



**Calhoun: The NPS Institutional Archive**  
**DSpace Repository**

---

Theses and Dissertations

1. Thesis and Dissertation Collection, all items

---

1956-01

A comparison of the Comptroller's  
organization in the Departments of the  
military establishment

Scheela, Jerome J.

George Washington University ; School of Government, Washington, District of Columbia.

---

<http://hdl.handle.net/10945/31008>

---

*Downloaded from NPS Archive: Calhoun*



<http://www.nps.edu/library>

Calhoun is the Naval Postgraduate School's public access digital repository for research materials and institutional publications created by the NPS community. Calhoun is named for Professor of Mathematics Guy K. Calhoun, NPS's first appointed -- and published -- scholarly author.

**Dudley Knox Library / Naval Postgraduate School**  
**411 Dyer Road / 1 University Circle**  
**Monterey, California USA 93943**





THE  
GEORGE WASHINGTON UNIVERSITY  
NAVY GRADUATE COMPTROLLERSHIP PROGRAM

A COMPARISON OF THE COMPTROLLER'S  
ORGANIZATIONS IN THE DEPARTMENTS  
OF THE MILITARY ESTABLISHMENT

by

LCdr. Jerome J. Scheela, USN

for

Dr. A. Rex Johnson

January 1956







## TABLE OF CONTENTS

<u>CHAPTER</u>	<u>PAGE</u>
I. Introduction . . . . .	1
II. The Comptroller - Department of Defense . . . . .	5
III. The Comptroller - Department of Army . . . . .	12
IV. The Comptroller - Department of the Air Force . . . . .	21
V. The Comptroller - Department of the Navy . . . . .	31
VI. Conclusion . . . . .	38





## CHAPTER I

### INTRODUCTION

The social science of Comptrollership had its beginning in United States industry about half a century ago. It has grown from a small embryo as a glorified accountant to a place in industry where the comptroller is considered to be the chief financial officer of the organization. Despite the fact that this field has existed for fifty years, today there are as many different concepts of comptrollership in private industry as there are comptrollers. This has been borne out by the fact that of the approximately thirty representatives from private industry who have lectured to the Navy Comptroller Graduate Class at George Washington University, in no two cases have the positions been identical or the functions exactly the same. It is believed that such a philosophy in our American way of life should be readily accepted and fostered, and the author is firmly convinced that there should be a broad pattern around which most comptroller's organizations should be established and operated. This philosophy may be likened to almost any science wherein in certain areas the general overall treatise is accepted but may be interpreted in a number of different ways.

In the Department of Defense, i.e., military comptrollership as such came into being on 10 August 1949, with the enactment of the Public Law 216. This law amended the National Security Act of 1947 and, among other things, established in the Department of Defense and in each military department a comptroller.

Until the time of the enactment of Public Law 216 referred to above,



most of the functions which were placed in the charter of the comptroller had been performed throughout various segments of the military organization. However, they were not centralized in any department or bureau and except for budgeting, the comptrollership concept had not been applied in the Department of Defense. Because we have seen that the comptrollership concept is as varied in private industry as are the people who have the title of comptroller, we might conceivably say that this same concept should be allowed to exist in a military organization. Obviously, this variation should not be permitted because the Secretary of Defense would not be able to exercise the responsibilities of his office as stipulated in the National Security Act of 1947 and its amendments; nor could the President or Congress be expected to understand and evaluate the financial requirements of the military establishments unless an overall uniform system of accounting and budgeting is to be followed.

Because the law which established the comptroller in the Office of the Secretary of the Department of Defense and the three military departments is specific in its provisions, it would appear desirable that the implementation of the law should be consistent within all three departments of the military establishment. Basically, the three military departments--Army, Navy and Air Force--and the Department of Defense have comptroller organizations patterned after Public Law 216 which are relatively similar in their missions and statements of functions. The big difference, however, in these organizations appears to be the emphasis that each of the departments is willing to place on certain aspects of the comptroller's responsibilities. For example, the Army has been a strong proponent of the industrial fund, the Air Force has focused considerable attention on an accrual accounting system, whereas the





Navy has emphasized the use of stock funds, industrial funds and the performance budget (i.e., the Navy's interpretation of a performance budget).

Even a casual observation of the comptrollership functions reveals that there is a wide range of acceptance and use of comptrollership as an essential tool of military management. There are a number of factors that have acted as strong deterrents to the military establishment which have prevented it from proceeding as uniformly and as rapidly as possible in embracing the intent of Title IV as the Congress and Secretary of Defense would like to see.

First, Comptrollership was born shortly after the Unification Act came into being, and hence the Department of Defense was largely concerned with the implementation of the National Security Act of 1947. Secondly, the policing action necessary because of Korea required that our emphasis in the military establishment be directed to successfully pursuing the Korean conflict to a satisfactory conclusion. Thirdly, a change in the administration in 1953 required an orientation of a new Secretary of Defense (since 1947 there have been five) and the appointment of a complete new Joint Chief of Staffs. There were also certain major modifications of functions as a result of a reorganization in the Office of the Secretary of Defense. Fourthly, the Defense Department and the military establishments have lacked civilian and military personnel with the proper background and technical education essential to implement Title IV speedily. Lastly, the three services were very dissimilar in their accounting, budgeting and internal auditing systems (the basic functional characteristics of a military comptroller). Before an across-the-board program can be accelerated, and the three departments proceed uniformly



toward the desired goal, these functions will have to be unified to the extent practicable among the three departments.

The lack of progress made thus far is not intended to be critical of the three departments and the Secretary of Defense, but is rather an attempt to point out problems which must be overcome before substantial progress can be made in implementing comptrollership in the entire Defense Department.

This paper will concern itself more with the problems that each of the military departments is encountering and with recommendations for their solution, rather than a historical summary of comptrollership operations as it has progressed in the military establishment since the passing of the National Security Act Amendments of 1949, Public Law 216.





## CHAPTER II

### COMPTROLLER--THE DEPARTMENT OF DEFENSE

The Senate Armed Services Committee was holding hearings concerning the reorganization of the National Military Establishment as a result of recommendations appearing in a Hoover Commission Report. During the course of the hearings, Mr. Ferdinand Eberstadt made the following comment:

Our Task Force Committee made certain recommendations relating to economy and I take the liberty in commending them to your attention. There will be no substantial advance in the field of economy until military budgetary procedures and fiscal policies have been overhauled from top to bottom.<sup>1</sup>

Immediately after this testimony, Senator Byrd asked Mr. Eberstadt to prepare as part of the bill, legislation to provide efficiency and economy in the Department of the Defense. The Chairman, Senator Tydings, endorsed the request and thus work on Title IV begun.<sup>2</sup>

Although we can see from the above that considerable effort had been exerted on the part of the Hoover Commission to recommend changes in the organizational structure of the Department of the Defense, it was principally the efforts of Mr. Ferdinand Eberstadt which resulted in Title IV being included in the National Security Act Amendments of 1949, Public Law 216.

It is interesting to note that although Public Law 216 was concerned

---

<sup>1</sup>The National Security Act Amendments of 1949, Hearings before the Senate Committee on Armed Services on S1629 and S1843, 81st Congress, 1st Session (1949).

<sup>2</sup>Frederick C. Mosher, Program and Budgeting, Theory and Practices, New York, N. Y.: (American Book-Stratford Press, 1954), p. 36.

THE HISTORY OF THE UNITED STATES

The history of the United States is a story of the growth of a nation from a small colony to a great power. It is a story of the struggles of the people to establish a government of their own, and of the triumphs of the American spirit. The story begins with the first settlers, who came to the New World in search of a better life. They found a land of opportunity, but also of hardship. They fought for their freedom, and they won. They built a nation that has stood the test of time, and that has inspired the people of the world.

The story of the United States is a story of the growth of a nation from a small colony to a great power. It is a story of the struggles of the people to establish a government of their own, and of the triumphs of the American spirit. The story begins with the first settlers, who came to the New World in search of a better life. They found a land of opportunity, but also of hardship. They fought for their freedom, and they won. They built a nation that has stood the test of time, and that has inspired the people of the world.

The story of the United States is a story of the growth of a nation from a small colony to a great power. It is a story of the struggles of the people to establish a government of their own, and of the triumphs of the American spirit. The story begins with the first settlers, who came to the New World in search of a better life. They found a land of opportunity, but also of hardship. They fought for their freedom, and they won. They built a nation that has stood the test of time, and that has inspired the people of the world.

The story of the United States is a story of the growth of a nation from a small colony to a great power. It is a story of the struggles of the people to establish a government of their own, and of the triumphs of the American spirit. The story begins with the first settlers, who came to the New World in search of a better life. They found a land of opportunity, but also of hardship. They fought for their freedom, and they won. They built a nation that has stood the test of time, and that has inspired the people of the world.

primarily with the reorganization of the Department of Defense, the portion that relates to the establishment of the comptroller is entitled "Promotion of Economy and Efficiency Through Establishment of Uniform Budgetary and Fiscal Procedures and Organizations".

Section 401 of this Title relates to the comptroller organization in the Department of the Defense as follows:

(a) There is hereby established in the Department of Defense the Comptroller of the Department of Defense, who shall be one of the Assistant Secretaries of Defense.

(b) The Comptroller shall advise and assist the Secretary of Defense in performing such budgetary and fiscal functions as may be required to carry out the powers conferred upon the Secretary of Defense by this Act, including but not limited to those specified in this subsection. Subject to the authority, direction and control of the Secretary of Defense, the Comptroller shall --

(1) supervise and direct the preparation of the budget estimates of the Department of Defense; and

(2) establish, and supervise the execution of --

(A) principles, policies, and procedures to be followed in connection with organizational and administrative matters relating to --

(i) The preparation and execution of the budgets,

(ii) fiscal, cost, operating and capital property accounting,

(iii) progress and statistical reporting,

(iv) internal audit, and

(B) policies and procedures relating to the expenditure and collection of funds administered by the Department of Defense; and

(3) establish uniform terminologies, classifications, and procedures in all such matters.



...the ... of the ... and ...  
...the ... of the ... and ...  
...the ... of the ... and ...

...the ... of the ... and ...  
...the ... of the ... and ...

...the ... of the ... and ...  
...the ... of the ... and ...

...the ... of the ... and ...  
...the ... of the ... and ...  
...the ... of the ... and ...

...the ... of the ... and ...  
...the ... of the ... and ...

...the ... of the ... and ...  
...the ... of the ... and ...

...the ... of the ... and ...  
...the ... of the ... and ...

...the ... of the ... and ...  
...the ... of the ... and ...

...the ... of the ... and ...  
...the ... of the ... and ...

...the ... of the ... and ...  
...the ... of the ... and ...

...the ... of the ... and ...  
...the ... of the ... and ...

...the ... of the ... and ...  
...the ... of the ... and ...

...the ... of the ... and ...  
...the ... of the ... and ...

Section 402 of Title IV is headed "Military Department Budget and Fiscal Organization - Departmental Comptrollers", as follows:

(a) The Secretary of each military department, subject to the authority, direction, and control of the Secretary of Defense, shall cause budgeting, accounting, progress and statistical reporting, internal audit and administrative organization structure and managerial procedures relating thereto in the department of which he is the head to be organized and conducted in a manner consistent with the operations of the Office of the Comptroller of the Department of Defense.

(b) There is hereby established in each of the three military departments a Comptroller of the Army, a Comptroller of the Navy, or a Comptroller of the Air Force, as appropriate in the department concerned. There shall, in each military department, also be a Deputy Comptroller, Subject to the authority of the respective departmental Secretaries, the Comptrollers of the military departments shall be responsible for all budgeting, accounting, progress and statistical reporting, and internal audit in their respective departments and for the administrative organization structure and managerial procedures relating thereto. The Secretaries of the military departments may in their discretion appoint either civilian or military personnel as comptrollers of the military departments. Departmental comptrollers shall be under the direction and supervision of, and directly responsible to, either the Secretary of the respective military departments; Provided, that nothing herein shall preclude the comptroller from having concurrent responsibility to a Chief of Staff or a Chief of Naval Operations, a Vice Chief of Staff or a Vice Chief of Naval Operations, or a Deputy Chief of Staff or a Deputy Chief of Naval Operations, if the Secretary of the military department concerned should so prescribe, Where the departmental comptroller is not a civilian, the Secretary of the department concerned shall appoint a civilian as Deputy Comptroller.

Section 403 of Title IV is concerned with the Performance Budget and, although this budget concept has been accepted as a matter of fact during recent years, at the time of its enactment, it was considered one of the most progressive steps that the Department of Defense could take in realigning its budget structures to conform to a pattern which would enable Congress to determine the needs of the department. The section states:





(a) The budget estimates of the Department of Defense shall be prepared, presented and justified, where practicable, and authorized programs shall be administered, in such form and manner as the Secretary of Defense, subject to the authority and direction of the President, may determine, so as to account for, and report, the cost of performance of readily identifiable functional programs and activities, with segregation of operating and capital programs. So far as practicable, the budget estimates and authorized programs of the military departments shall be set forth in readily comparable form and shall follow a uniform pattern.<sup>1</sup>

The sections of Title IV which have been quoted, contain the implementing legislation required to bring the comptrollers of the Department of Defense and the three military departments into existence. In 1949, as a result of congressional legislation, the Comptroller of the Department of Defense was made one of the Assistant Secretaries of the Department of Defense. However, in this reorganization the only change was actually in the title, and as a matter of fact, it is interesting to note the comments of Assistant Secretary W. J. McNeil when appearing before the Subcommittee of the Committee on Appropriations in the House of Representatives on February 22, 1955.

In answer to a question from Mr. Mahon of the Subcommittee who asked Mr. McNeil the position he held in the Department, Mr. McNeil's reply was:

In reality, the same position for the entire period--responsible for fiscal matters in the Department of Defense. At first it was under Secretary Forrestal. It was a statutory job established by the first Unification Act called the Special Assistant to the Secretary. In 1949 they abolished the three special statutory assistants and established the positions of Assistant Secretaries.

---

<sup>1</sup>National Security Act Amendments of 1949, Public Law 216, August 1949, Title IV.





The title was changed, but the job has not changed much.<sup>1</sup>

The organization of the Comptroller of the Department of Defense consists of the following:

Office of the Comptroller

Fiscal Management Staff

Budget Division

Economic and International Security Estimates Division

Progress Reports and Statistical Division

Contract Finance Policy Division

Accounting Division

For the first several years the Comptroller's Office, Secretary of Defense, concerned itself primarily with the implementation of that part of the Title IV which required a performance type budget and the establishment of comptrollers in the three military departments. With the advent of Korea, almost full attention had to be devoted to budgetary problems in connection with the military build-up necessary to prosecute the Korean police action. The comptrollers of the three military departments were allowed maximum latitude in determining the extent to which comptroller's organizations were required to be established in the field activities. Although the comptroller of the Department of Defense strongly recommended industrial fund installations, stock fund applications, as well as management fun instal-

---

<sup>1</sup>Hearings before the Subcommittee of the Committee on Appropriations, House of Representatives, 84th Congress, 1st Session, Washington, D. C., Government Printing Office, p. 493.





lations, he did not direct or force the military departments to accede to his wishes. As a result, we find that each department has been allowed to install and pursue only those phases of Title IV with which they have been inclined. It is the opinion of the author that the Comptroller of the Secretary of Defense has been extremely patient and understanding in trying to instill the Comptroller concept in the military departments through education and evolution, rather than by written directions and force. However, it is believed that if the Congress is to be satisfied with the progress that the Defense Department is taking to install Title IV in the three military departments, the Comptroller of the Defense Department will have to take more positive and direct action.

Recently there has been published a report of the Advisory Committee on Fiscal Organization and Procedures (hereinafter called the Cooper Committee Report), which stated as follows:

The Committee recommends that the responsibility for financial management area be assigned to an Assistant Secretary on a full time basis--he should also be the Comptroller. The Committee is in accord with the existing designation of an Assistant Secretary as a Comptroller in the Department of Defense and recommends such an appointment in the Army, Navy and Air Force. The Committee recommends that the senior operating officer, under the assistant secretary and each of the services be a deputy with outstanding technical qualifications for the assignment because of the heavy operating responsibilities and special problems incident to a military organization. The Subcommittee is not attempting to resolve whether this man be military or civilian, but he must have technical ability in the field of financial management.<sup>1</sup>

---

<sup>1</sup>Report of the Advisory Committee on Fiscal Organization and Procedures in the Office of the Secretary of Defense, dated 1 October 1954, p. 9.



Present plans being enunciated by the Comptroller of the Department of Defense indicate that the Army, Navy and Air Force will be required to expedite the establishment of industrial fund operations in those remaining activities under their jurisdiction suitable for such an operation. Considerable impetus is also being given to simplifying the appropriation structure of each department so that possibly only five appropriations will be necessary. These appropriations are as follows:

- (1) Military Personnel (pay and allowance)
- (2) Maintenance and Operations
- (3) Procurement and Production
- (4) Research and Development
- (5) Construction <sup>1</sup>

The Army and Air Force are being assisted and encouraged to accelerate the rate of progress in completing the installation of property accounting and stock fund applications. Also, plans are being formulated which will require Military Pay and Allowance to be "costed" at activity level. This is all part of the philosophy of the Comptroller, Department of Defense, which will enable each military department to determine the entire cost of operation of any field activity.<sup>2</sup>

---

<sup>1</sup>Based on recommendation appearing in Cooper Committee Report, p. 11.

<sup>2</sup>Based on memorandum, undated, Main Points of Difference Between Mr. McNeill's Plan for Financial Management of Department of Defense and the Plan Presented by Mr. Cooper.





### CHAPTER III

#### COMPTROLLER--THE DEPARTMENT OF ARMY

In the previous chapter we discussed the impact and influence of Title IV on the comptroller's establishment in the Department of Defense. Generally, it is agreed that Title IV is more or less considered to be the legislation which is the founding father of comptrollership in the military establishment. However, it is believed significant to point out that the comptroller, as such, was established in the Army on 2 January 1948. This was approximately nineteen months prior to the passage of Public Law 216. No reference to the fact that the Army had such an organization can be found anywhere in the hearings. The position was placed in the Office of the Deputy Chief of Staff (then the equivalent of the present Vice Chief of Staff). It was agreed that the comptroller would be concurrently responsible to an Assistant Secretary and it was also agreed that if the Comptroller was a commissioned officer the Deputy Comptroller would be a civilian.

Of course, like the other military departments, the Army had been performing certain comptroller type functions long before the Comptroller was established officially. Certain pertinent events should be enumerated to pinpoint the major steps the Army had taken which lead to the establishment of the comptroller. These events are summarized as follows:

- A. During World War II the Army was presented management problems of unprecedented size and complexity. Shortages of men, material and facilities made maximum effective application of results essential. Throughout the Army the need and demand for a systematic flow of information concerning plans and operations and the analysis and interpretation of re-





sults as aides to officials in administrating and controlling their activities became of paramount importance. To that end, many innovations were introduced that had an effect on the establishment later of the comptroller organization. Among the more significant of these were the efforts of the Control Division and the Office of the Fiscal Director of the Army Service Forces. The Control Division devoted itself essentially to the study and improvement of organization and procedures to the design of control system and to the orderly and economical collection, analyses, and the purchase of data required in the management of Army Service Forces activities. The Fiscal Director concentrated on budgeting and fiscal accounting.<sup>1</sup>

- B. In 1947 the Secretary of the Army, Kenneth Royall, engaged as a Special Assistant, Secretary Edwin Pauley, for the purpose of studying the problem of Army business operations and recommending improvements. Mr. Pauley's findings, which he reported in the Fall of 1947, pointed to the need of improved accounting and financial reporting, and particularly cost accounting. He recommended that Army employ a high grade civilian with the authority to install improved accounting methods.<sup>2</sup>
- C. At about the same time another report was submitted to the Chief of Staff by a board of officers convened to study overall Army policy and organization. This report, known as the Haislip Report, recommended a comprehensive study of the organization of the Army. It also proposed a permanent unit attached to the Deputy Chief of Staff to carry on a continuing survey of organization and methods. This latter proposal was the impetus for the establishment of the management division, later incorporated into the comptroller's office.<sup>3</sup>

It can be readily seen that the comptroller's office was initially formed by merely grouping three existing organizations which were the Budget

---

<sup>1</sup>Department of the Army Pamphlet No. 35-10, the Comptroller's Guide, July 1955, p. 68.

<sup>2</sup>Frederick C. Mosher, Program and Budgeting, Theory and Practice, New York, N. Y.: (American Book - Stratford Press, 1954), p. 211.

<sup>3</sup>Ibid., p. 211.





Division, the Statistics Division and the Management Division. It was later that the Comptroller took over supervision of the finance department, the auditing function and finally the review and analysis aspects of the programming system. However, it is believed that the most significant decision in the terms of functional relationships was to bring together under one individual these general management activities along with the fiscal management activities which had existed for a number of years in an uncoordinated status.

Considerable discussion was held in an attempt to arrive at a decision as to whether the comptroller of the Army should be a civilian or a career military officer. At that time, Secretary Royall was of the opinion that a civilian would be better suited for the position. However, President Eisenhower (then General Eisenhower and Chief of Staff) preferred a military man. He was afraid that if the comptroller were outside of the military family there would be a stronger possibility of a dictatorial attitude and approach. General Eisenhower was persuasive enough to influence Secretary Royall to appoint a career military officer as the Army Comptroller. Although there are numerous opinions as to whether the comptroller of a military department should be civilian or military, as late as 1953, Secretary of the Army, Stevens, stated before the Flander's Committee that he preferred a military man as the Comptroller of the Army and his testimony is as follows:

Secretary Stevens: "In my personal experience up to now, I prefer--and this will probably be contrary to some of the other witnesses that may have appeared before or will--I prefer a military comptroller."

Senator Flanders: "A military comptroller?"



Secretary Stevens: "I prefer a man in uniform as Comptroller of the Army to be concurrently responsible to the Chief of Staff and to the Secretary of the Army".<sup>1</sup>

The basic concept in terms of functions, status and role of the Comptroller has not undergone much change since 1948. From the Army point of view, he is regarded as principally a staff arm of the Chief of Staff with additional responsibility to the Secretary of the Army. The developments of the first eight years have been in the direction of consolidating his position and strengthening his status.

The functions of the Comptroller of the Army are described in Special Regulation No. 10-5-1, dated 11 April 1950, as follows:

Comptroller of the Army. The Comptroller of the Army, under the direction and supervision of the Secretary of the Army, integrates the review and analysis of Army programs, and formulates, coordinates, and supervises accounting, fiscal, audit, budgetary, statistical, and management engineering activities of the Army, including the supervision of legislative policies and programs pertaining the appropriation acts. The Comptroller is directly responsible to the Assistant Secretary of the Army (General Management) by delegation of the Secretary of the Army and concurrently responsible to the Chief of Staff. Within his scope of responsibility, the Comptroller's relationship to the Chief of Staff and the Army Staff corresponds to that of a Deputy Chief of Staff. The Chief of Finance is under the direct supervision and control of the Comptroller of the Army for all statutory functions of the Comptroller.

In order to carry out the functions described in the paragraph above, the Comptroller of the Army has the following organization:

---

<sup>1</sup>Hearings before the Preparedness Subcommittee No. 3 of the Committee on Armed Services, United States Senate, 83rd Congress, 1st Session, on the Implementation of Title IV, National Security Act of 1947 as Amended (Flander's Report), Washington, D. C.: Government Printing Office, 1954, p. 64.





Comptroller of the Army

Legal Advisor  
Plans and Policy Office

Deputy Comptroller

Executive

Accounting and Financial Policy Division

Budget Division

Program Review and Analysis Division

Audit Division

Management Division

Although the Comptrollership organization in the Army is the oldest in length of time of the three military departments, the Army has embraced less of the function envisioned by Title IV than the other three military departments. This is due to the fact that the Army had the most problems organizationally and functionally when it became time to implement Title IV. The major problems which the Army faced were as follows:

1. Establishment of a property accounting system which would enable the Army to determine the cost of materials used in any fiscal period. Heretofore, the Army had followed the practice of "free issue" and items were not priced except at time of procurement.
2. Establishing an accounting system which would enable the Army to tell the cost of its capital equipment items
3. The establishment and operation of the Army stock fund.





The Army has estimated that the value of its common-use items<sup>1</sup> will total approximately 6 billion dollars after the items have been identified, inventoried and priced. When this phase of the program is completed, accelerated progress should result in establishing an overall Army accounting system.

The Army has made outstanding progress in the installation of the industrial fund operation at Army field activities. The Army has nineteen of its activities converted to the industrial fund type operations as of 1 December 1955, and plans to place this type of fund operation into approximately thirty additional field activities.

As far as a performance budget is concerned in connection with Title IV, the Army has made less progress than the Navy and the Air Force. The Department of the Army admits that it does not have a performance budget. This is borne out by the following quotation from an official Army publication:

Does the Army have a performance budget? No.

The Army has a type of performance budget. It is an obligation-fund type budget and not a cost-type budget as envisioned by Public Law 216. In other words, today the Army presents its budget in terms of the funds needed to finance the Army's programs. The cost of performance-type budget not only will present the funds required, but also will relate and show the costs of programs actually incurred or to be incurred during a given budget period.<sup>2</sup>

---

<sup>1</sup>Terms used to identify material which the Army will classify in the Army Stock Fund.

<sup>2</sup>U. S. Department of the Army, The Comptroller's Guide, Army pamphlet No. 35-10, dated 11 July 1955, Washington, D. C., p. 28.

It was not until the year of the revolution that the  
first movement of the people was seen. The people were  
not yet united. They were not yet organized. They were  
not yet conscious of their own power. They were not yet  
aware of their own destiny.

The first step was to organize the people. The first  
step was to organize the people. The first step was to  
organize the people. The first step was to organize the  
people. The first step was to organize the people.

The first step was to organize the people. The first  
step was to organize the people. The first step was to  
organize the people. The first step was to organize the  
people. The first step was to organize the people.

The first step was to organize the people. The first  
step was to organize the people. The first step was to  
organize the people. The first step was to organize the  
people. The first step was to organize the people.

The first step was to organize the people. The first  
step was to organize the people. The first step was to  
organize the people. The first step was to organize the  
people. The first step was to organize the people.

The first step was to organize the people. The first  
step was to organize the people. The first step was to  
organize the people. The first step was to organize the  
people. The first step was to organize the people.



In the final analysis, however, so much depends upon an effective accounting system that it is impossible to state that the Army has embraced the intent of Title IV as of the date of this paper. Excerpts are quoted from the Interim Report of the Flander's Committee as illustrations of shortcomings in the overall Army accounting system:

Appropriation Accounting: In the Army, regulations have been issued to establish an allotment accounting system, although these regulations have not been fully implemented at the technical service level and basic weaknesses exist with respect to accounting for and control over commitments and obligations. It has been said that the system promulgated by the Department of the Army is extremely complex and too detailed and cumbersome to provide useful information for efficient management and administration.<sup>1</sup>

Transaction Accounting: The Army has developed, but not yet fully installed, a system integrating disbursement accounts with appropriation accounts at installation level and thus has undertaken appropriate and commendable action towards establishing the basic framework for building an integrated system at the operating level.<sup>2</sup>

Stock Fund Accounting: Although broad reporting requirements for higher levels have been established by the Department of Defense, neither the Army or the Air Force have adopted reporting systems which are fully adequate or which conform with recommended OSD standards.

The Army accounting system, especially in the Clothing and Equipage Division, is both inadequate and cumbersome. The Army has inadequate central identification and reporting for mobilization reserves and excess stock.<sup>3</sup>

---

<sup>1</sup>Report of the Preparedness Subcommittee No. 3 of the Committee on Armed Services, U. S. Senate - Implementation of Title IV, National Security Act of 1947, As Amended, 83rd Congress, 1st Session, Washington, D. C., U. S. Government Printing Office 1954, p. 14.

<sup>2</sup>Ibid., p. 15.

<sup>3</sup>Ibid., p. 17.





Financial Accounting for Property other than Stock Fund Inventories: Neither the Army nor the Air Force have as yet installed financial systems for the accounting of capital assets, although the Army has made plans for installing such accounting for the inventories of capital assets held in depots in the Zone of the Interior in the near future.<sup>1</sup> (Author's note - The Air Force installed its version of accounting for capital assets 1 July 1954.)

The information quoted above described the deficiencies in the Army accounting system in late 1953, but as of July 1955, considerable progress was still required before the Army could say that it had an integrated accounting system as well as Financial Property Accounting. This is emphasized in the Army publication (35-10)<sup>2</sup> wherein it was stated that the Army has a number and variety of unrelated accounting systems operated by various staff agencies. Since 1949 the Army has been developing a financial management plan designed to overcome these deficiencies. When it is fully implemented, the financial management plan should provide an improved and integrated accounting system.

It is my contention that the functional role of the Comptroller in the Army should be changed to that recommended by the Flander's Committee. The Comptroller of the Army should be an Assistant Secretary reporting directly to the Under-Secretary of the Army and without reporting through the Chief of Staff. This would give the Comptroller of the Army the same functional responsibility as the Comptroller of the Navy. Of course, joint efforts with the Chief of Staff will be mandatory if the organization is to function prop-

---

<sup>1</sup>Ibid., p. 17.

<sup>2</sup>Comptroller's Guide, Army Publication 35-10, Washington, D. C., pp. 37-38.



erly; therefore, liaison will require constant attention from both offices.





## CHAPTER IV

### COMPTROLLER --THE DEPARTMENT OF AIR FORCE

The Comptroller of the Air Force was established 7 June 1946 by Army Air Force Memorandum AAF, HOL 2015. This memorandum directed that the functions of the Office of Program Monitoring be transferred to the new office and further directed the budget and fiscal office to operate under the supervision of the Air Comptroller. Prior to this, there had existed in the Army Air Force three separate offices which supported management functions. Each of these reported directly to the Chief of Staff and these organizations were as follows:

- A. The Office of Program Monitoring, which was charged with maintaining surveillance over their recommended appropriate action concerning all Army Air Force programs.
- B. The Office of Statistical Control, which was charged with the responsibility of establishing, maintaining, monitoring, operating and tabulating a standardized reporting system of and for agencies of the Army Air Force.
- C. The Budget and Fiscal Office, which had technical supervision and administration over all budget and fiscal functions of the Army Air Force.

A cursory review of the functions listed in the above paragraph indicate that each was a necessary arm for general overall effective management, but in each case the heads of the respective organizations reported

# THEORY OF THE EARTH

The theory of the earth is a branch of geology which deals with the origin and development of the earth and its various parts. It is a science which seeks to explain the causes and effects of the various geological phenomena which we observe in nature. The theory of the earth is a branch of geology which deals with the origin and development of the earth and its various parts. It is a science which seeks to explain the causes and effects of the various geological phenomena which we observe in nature.

1. The theory of the earth is a branch of geology which deals with the origin and development of the earth and its various parts. It is a science which seeks to explain the causes and effects of the various geological phenomena which we observe in nature.

2. The theory of the earth is a branch of geology which deals with the origin and development of the earth and its various parts. It is a science which seeks to explain the causes and effects of the various geological phenomena which we observe in nature.

3. The theory of the earth is a branch of geology which deals with the origin and development of the earth and its various parts. It is a science which seeks to explain the causes and effects of the various geological phenomena which we observe in nature.

4. The theory of the earth is a branch of geology which deals with the origin and development of the earth and its various parts. It is a science which seeks to explain the causes and effects of the various geological phenomena which we observe in nature.

5. The theory of the earth is a branch of geology which deals with the origin and development of the earth and its various parts. It is a science which seeks to explain the causes and effects of the various geological phenomena which we observe in nature.

6. The theory of the earth is a branch of geology which deals with the origin and development of the earth and its various parts. It is a science which seeks to explain the causes and effects of the various geological phenomena which we observe in nature.

directly to the Chief of Staff. The prime advantage gained by the establishment of the Comptroller of the Army Air Force at this time was to direct the operations under a single responsible individual in an effort to get a more coordinated and cohesive program.

It is interesting to note the fact that the Air Force had the first Comptroller in the military even before it became an autonomous department, as a result of the passage of the National Security Act on 26 July 1947. With the unification of the armed services and the subsequent establishment of the Headquarters, United States Air Force, the Comptroller was established as an office on the same level with the three deputy chiefs of staff and reported directly to the Vice Chief of Staff. This is similar to the manner in which the Comptroller of the Army reports to the Chief of Staff and, of course, unlike the Navy wherein the Comptroller reports to an Assistant Secretary for financial management directly under the Under-Secretary.

A second comparison between the Comptroller's organizations in the Army and Air Force is that in each instance the Comptroller has always been a military career officer. The Honorable H. Lee White, Assistant Secretary of the Air Force, reiterated the position of Army Secretary Stevens when he appeared before the Flander's Committee in 1953, and recommended that the Air Force Comptroller should continue to be a military officer. In his testimony, Mr. White made the following points:

- A. He was of the opinion that the ability of military personnel was equal to or greater than any civilian who might be hired at the salary scale established for civilians as comptrollers.





- B. He stressed the statement that most people, since World War II, had forgotten how capable our military officers really are.
- C. He was of the opinion that those who favored civilians in order that continuity would be preserved did not take into account the fact that it would be extremely difficult to attract and hold the type of individual required for the Air Force Comptroller at a salary of \$15,000 per year.
- D. He did not agree with those who expressed the opinion that a civilian comptroller reporting directly to the Secretary would have greater independence in the review function of his office than a military man.
- E. He also believed that an Air Force officer would be in a better position to command a huge shore establishment in a much more business-like and economical manner if he had been fortunate enough to garner the experience which would enhance his career as a result of performing duties as a Comptroller.

Mr. White agreed with Secretary of the Army Stevens in that having concurrent responsibility to the respective Chiefs of Staff did not interfere with the performance of duty of the Comptroller.

Shortly after the Comptroller's office was organized, the increased importance of the need for management control through cost control was recognized and, as a result, the functions and personnel of the cost accounting branch, budget and fiscal division, were transferred to the United States Air Force cost control project, which was established as an integral part of





the immediate office of the Air Comptroller. This was just after the passage of the Unification Act of 1947, which also made it necessary for the Air Force to assume its own financial function responsibilities. On 1 March 1948, the Finance Division DCS-Materiel, was transferred to the Comptroller and established as the Director of Finance. Lastly, it was necessary to transfer the Auditing functions of the Air Force because prior to this time all Air Force auditing had been performed by the Army Auditing Agency under the Army Chief of Staff. Accordingly, on 1 July 1948, the Office of the Auditor General was established as a component of the Comptroller and in that office was vested responsibility for technical, administrative and operational performance of all auditing functions within the Department of the Air Force, except those pertaining to non-appropriated funds.

The speed with which Comptroller's organizations were established in the Air Force is evidenced by the following quotation:

The effectiveness of the Comptroller function became increasingly evident in the USAF organization. On October 7, 1948, AFR 20-34 was promulgated, requiring the establishment of a major staff section in all of the major air commands and the numbered air forces throughout the world to be designated as the Comptroller. Following this, on July 12, 1949, AFR 170-10 prescribed the establishment of a Comptroller staff section in all Air Force wings or their equivalents on a world-wide basis. These two directives demonstrated the belief of the Air Staff in the value of the Comptrollership function as a major staff activity for all esche-  
lons of command in the USAF.

On September 6, 1949, by General Order No. 66, the Comptroller was redesignated as the Deputy Chief of Staff, Comptroller, USAF. This firmed up the position and function in Headquarters, USAF organization by placing this staff activity officially in the chain of command on the Chief of Staff level.<sup>1</sup>

---

<sup>1</sup>Deputy Chief of Staff, Comptroller, U. S. Air Force Handbook, Washington, D. C., No publication date.





The official statement of the Comptroller objectives of the United States Air Force are set forth in AFL 170-5 dated 20 July 1954, and are as follows:

It is the duty of the DCS/Comptroller to assemble and evaluate elements of information necessary for efficient management of the Air Force; to publish planning factors and standards; to develop improved programming techniques; to advise and assist the Chief of Staff and the Air Staff in the attainment of integrated programs for the accomplishment of the Air Force missions; to translate these programs into budgetary requirements and support the Air Force budget; to administer funds; including the disbursement, collection, and accounting therefor; to prescribe regulations governing the Air Force audit systems and the fixing of responsibility therefor; to plan and establish the overall accounting policies, principles, procedures and systems for the Air Force; to take final action for Secretary on statutory functions in connection with the administration of funds as might be delegated from time to time; to provide for the measurement of progress toward program objectives; to evaluate results in relation to costs and recommend action to the end that the Chief of Staff may efficiently and economically manage the resources available to him. The DCS/Comptroller provides complete statistical and reporting services on all subjects for the Air Staff and higher authority and exercises technical supervision over the Comptroller System.<sup>1</sup>

The present organization of the Air Force Comptroller is as follows:

- DCS/Comptroller
- Deputy Comptroller
- Assistant DCS/Comptroller
- Assistant Comptroller
- Directorates
  - Accounting
  - Audit
  - Budget
  - Finance
  - Management Analysis
  - Statistical Services <sup>2</sup>

---

<sup>1</sup> Ibid.

<sup>2</sup> Ibid.

The following is a list of the names of the persons who have been elected to the office of Justice of the Peace for the year 1900, in the several precincts of the County of ...

TO THE HONORABLE THE JUSTICE OF THE PEACE FOR THE YEAR 1900, IN THE SEVERAL PRECINCTS OF THE COUNTY OF ...

The following is a list of the names of the persons who have been elected to the office of Justice of the Peace for the year 1900, in the several precincts of the County of ...

100



The biggest problem facing the Air Force in its first years after becoming a separate department was the growing pains realized by any new organization. It was necessary to orient and educate its officers, enlisted military personnel and civilians in a new concept of operations.

Although this must be recognized as a major obstacle, in some cases it could also be considered an advantage because it meant that existing instructions and methods did not need to be changed, nor did people have to be convinced of the advantages of a new system. Methods of doing business because they had been performed that way for half a century were not encountered.

Because a large part of the Comptroller's functions for the Air Force had been performed by the Army, it was mandatory that the Air Force build a complete new comptroller organization. This, of course, was a momentous undertaking and required considerable time. As a matter of fact, the Air Force is still vainly seeking qualified commercial accountants for a number of top accounting jobs in its field activities as well as at its headquarters in Washington. It must be remembered when the Comptroller was established in the Air Force, it did not have its own accounting system, its own stock fund, nor did it have any industrial or management type fund operations. It was the consensus of those concerned with the successful prosecution of the Comptroller concept in the Air Force that the success of their program would hinge on an efficient, sound accounting system. Unlike the other two military departments, the Air Force decided to establish an accrual commercial type accounting system in all its activities. The objectives of the accounting system are summarized as follows:



The first thing I noticed when I stepped out of the car was the smell of the sea. It was a salty, briny scent that filled the air. I had heard that the weather was perfect, but I didn't realize how perfect it would be. The sun was shining brightly, and the water was a deep, vibrant blue. I had come to the beach at the perfect time.

As I walked along the shore, I noticed that the sand was soft and warm. The waves were gentle, lapping at the shore. I had heard that the beach was beautiful, but I didn't realize how beautiful it would be. The sun was shining brightly, and the water was a deep, vibrant blue. I had come to the beach at the perfect time.

I had heard that the weather was perfect, but I didn't realize how perfect it would be. The sun was shining brightly, and the water was a deep, vibrant blue. I had come to the beach at the perfect time. The sand was soft and warm. The waves were gentle, lapping at the shore. I had heard that the beach was beautiful, but I didn't realize how beautiful it would be. The sun was shining brightly, and the water was a deep, vibrant blue. I had come to the beach at the perfect time.

The accounting system is to be a single, integrated, accrual system encompassing all assets, liabilities, income and expense and provides a vehicle for control of the appropriation. It will supplant all existing financial reporting systems.

The system will utilize modern accounting techniques and will include appropriate internal controls. It will produce management control reports for all echelons which contain the kind of information used by management in private industry in controlling their operations. These reports will furnish prompt information on costs of performance to date, in comparison with budgeted costs. The reports dealing with inventories are designed to fit the operation of the logistic system and are in format to mesh with the inventory accounting now being installed throughout the depot system in the United States.<sup>1</sup>

Although this appears to be a radical change from the accounting system employed by the Army and the Navy, it is the well recognized system of accounting utilized by private industry. As a matter of fact, the first Hoover Commission recommended an accrual type of accounting system for the Federal Government. More recently, the Cooper Committee<sup>2</sup> also proposed an accrual type accounting system for the military departments of the Department of Defense. Lastly, the second Hoover Commission in its report on budgeting and accounting, dated June 1955, stated in Recommendation 14,

that Government accounts be kept on the accrual basis to show currently, completely and clearly all resources and liabilities and costs of operations. Furthermore, agency budgeting and financial reporting should be developed from such accrual accounting.<sup>3</sup>

---

<sup>1</sup>A Financial Plan for the U. S. Air Force, U. S. Air Force, Washington, D. C., 7 November 1953, p. 7.

<sup>2</sup>Advisory Committee on Fiscal Organization and Procedures established by Secretary of Defense Wilson, 8 August 1953.

<sup>3</sup>Commission on the Reorganization of the Executive Branch of the Government, a Report to Congress entitled "Budgeting and Accounting", Government Printing Office, Washington, D. C., dated June 1955.





The reason that I have digressed to mention the comments of the various commissions and committees relative to the importance of an accrual accounting system for the Department of the Air Force is because this is by far the most important step which the Air Force has taken to implement Title IV of the National Security Act of 1947.

Mr. White, in his testimony before the Flander's Committee, reiterated time and time again that it would be necessary for the Air Force to have its accounting system effectively and efficiently operating before substantial progress could be made in the other areas of comptrollership as envisioned by Title IV. The Air Force has made little use of the industrial fund, the stock fund, or the management fund. Industrial fund type operations are in existence in Air Force operated laundries and dry cleaning establishments, while the printing plants of the Air Force are financed by the management fund. Although the Air Force does not embrace the stock fund type of operation for its spare parts and other common use type of material, it is believed that this concept will soon be required by the Secretary of Defense. In this connection, a general supply stock fund division was established 1 July 1955. In fairness to the Air Force, it must be pointed out that if its concept of accrual accounting proves satisfactory, rapid progress will be promptly initiated in other areas to bring its financial operation on a par with the other two departments.

On 21 October 1955, Secretary of Defense Wilson, in his reply to the Director of the Bureau of the Budget (the Honorable Roland R. Hughes), stated that he concurred in principle with the second Hoover Commission report



The second step is to identify the specific areas of the organization that are most vulnerable to risk. This is done by conducting a risk assessment, which involves identifying the potential risks to the organization and their likelihood of occurring. The third step is to develop a risk management plan, which outlines the organization's strategy for managing risk. This plan should include measures to prevent risks from occurring, as well as measures to respond to risks if they do occur.

The fourth step is to implement the risk management plan. This involves putting the measures outlined in the plan into action. The fifth step is to monitor and review the organization's risk management performance. This involves regularly assessing the organization's risk management performance and making adjustments as needed. The sixth step is to communicate the organization's risk management strategy to all employees. This involves ensuring that all employees understand the organization's risk management strategy and their role in managing risk. The seventh step is to review the organization's risk management strategy periodically. This involves assessing the organization's risk management strategy and making adjustments as needed. The eighth step is to ensure that the organization's risk management strategy is integrated with its overall business strategy. This involves ensuring that the organization's risk management strategy is consistent with its overall business strategy and that it supports the organization's overall business goals.

The final step is to ensure that the organization's risk management strategy is effective. This involves ensuring that the organization's risk management strategy is able to identify, assess, and manage risk effectively. This can be done by regularly reviewing the organization's risk management strategy and making adjustments as needed. It can also be done by ensuring that the organization's risk management strategy is integrated with its overall business strategy and that it supports the organization's overall business goals.

concerning Government accounting being maintained on an accrual basis, but made the following reservations as far as the Department of Defense was concerned:

- A. The accrued expenditure basis should be understood to include charges for progress payments to long term contracts, as well as charges for the cost of goods and services received during the budget year under other contracts and employment arrangements.
- B. The application of the accrual basis of accounting should be modified in the Federal Government to exclude depreciation on capital property except for industrial and commercial type activities.
- C. It should be important in financial control to budget and account for the cost of acquisition of all property (including both capital property and consumption type material or inventories, the cost of which is chargeable to operations when consumed.)

The operation of the Air Force accrual accounting system is being watched very closely by representatives in the Comptroller's Office, Department of Defense, because if it does meet the requirements of the Air Force, it may be adaptable to the other services. This accrual accounting system appears to have two serious drawbacks, however, which may cause it to be modified considerably before the Comptroller, Department of Defense, is willing to accept it as the "permanent" accounting system of the Air Force.



The problem areas are (1) cost of personnel performing accounting services in the field and in the headquarters is much higher than funds may be allowed to permit. In other words, such a system may be a luxury. (2) Appropriation and obligation accounting - required by Congress - necessitates a "dual" accounting system.

In addition, the Comptroller, Secretary of Defense, is requiring the Air Force to install the industrial fund operation in the Military Air Transport Service (MATs) not later than 1 July 1956. The Air Force is also being encouraged to be more open minded in its attitude toward using the industrial fund at other Air Force activities where such an operation would be beneficial.

The same recommendation offered in the previous chapter relative to the organizational structure of the Comptroller of the Army is also submitted as a recommendation for the Air Force and need not be repeated here.



The first part of the report is devoted to a general survey of the situation in the country. It is followed by a detailed account of the work done during the year. The report concludes with a summary of the results and a list of references.

The second part of the report is devoted to a detailed account of the work done during the year. It is followed by a summary of the results and a list of references.

The third part of the report is devoted to a detailed account of the work done during the year. It is followed by a summary of the results and a list of references.

The fourth part of the report is devoted to a detailed account of the work done during the year. It is followed by a summary of the results and a list of references.

The fifth part of the report is devoted to a detailed account of the work done during the year. It is followed by a summary of the results and a list of references.

The sixth part of the report is devoted to a detailed account of the work done during the year. It is followed by a summary of the results and a list of references.

The seventh part of the report is devoted to a detailed account of the work done during the year. It is followed by a summary of the results and a list of references.

The eighth part of the report is devoted to a detailed account of the work done during the year. It is followed by a summary of the results and a list of references.

The ninth part of the report is devoted to a detailed account of the work done during the year. It is followed by a summary of the results and a list of references.

## CHAPTER V

### COMPTROLLER--DEPARTMENT OF THE NAVY

Although the Navy is generally conceded to have encompassed more of the provisions of Title IV in its Comptroller organization than the other two military departments, it was the last to officially adopt a comptroller type organization as such. The Comptroller of the Navy was established by the Secretary of the Navy by charter on 1 June 1950, and was charged with the responsibility for all budgeting, accounting, progress and statistical reporting, providing financial assistance to defense contractors, internal auditing, and for the administrative organizational structure and managerial procedures relating thereto. Probably, the reason that the Navy was the last department to adopt a comptroller type organization can be attributed to the fact that most of the functions required by Title IV were being performed within the Naval establishment. For example, the Navy attempted to justify its budget to Congress on a performance basis prior to 1949, and was the first military department to have a Stock Fund by approximately fifty years. Also, the Navy had a revised cost accounting system after World War II which appeared to be satisfactory for needs of Navy management.

There has been little change in the organization of the Navy Comptroller's Office since its initial date of establishment. The major changes that have occurred are as follows:

- (1) A full time Comptroller has been appointed from civilian life who also has a dual responsibility as Assistant Secretary for



Financial Management.

- (2) The Comptroller's organization has assumed all internal auditing functions. Just recently the cost-inspection auditing responsibility was transferred to the Comptroller's Office from the Bureau of Supplies and Accounts.
- (3) The Comptroller has assumed responsibility for determining policy, issuing instructions and procedures relative to the submission of stores returns ashore (NSA and APA) heretofore performed by the Bureau of Supplies and Accounts.
- (4) The Comptroller, on 1 July 1955, has also assumed responsibility for issuing instructions and procedures relative to the Navy Pay System previously performed by the Bureau of Supplies and Accounts.

The official Navy attitude toward the type of individual favored by the Navy for the Comptroller's position can be understood from the summary of testimony by Secretary of the Navy Anderson before the Flander's Committee:

Senator Flanders: Now Mr. Secretary, I want to ask you some questions brought up by some testimony that we had yesterday. In your judgment, can the Comptroller function be separated from the more general problem of military management?

Secretary Anderson: May I reply by saying that I think the ultimate responsibility for the comptrollership operation within the Navy ought to be in civilian hands. I would say further that I think it ought to be closely coordinated by the utilization of the knowledge of military





staff officers who are familiar with all the operations and problems of the Navy.

Senator Flanders: How would you attach the military staff member to the Comptroller organization?

Secretary Anderson: Currently we are doing it by having a civilian comptroller and a deputy military comptroller. I think the plan which we are operating under is proving satisfactory.<sup>1</sup>

The Navy has installed its industrial fund operations in eleven shipyards, twenty-five Navy Printing Services, six Ordnance activities, one Research Lab, and the Military Sea Transportation Service (MSTS). It is reviewing other types of activities to ascertain whether the industrial fund operation is feasible, and it is my understanding that the Naval Air Station, Quonset Point, Rhode Island, has been selected by the Bureau of Aeronautics to be its "pilot" installation for this type of operation. If the industrial fund operation proves feasible at major air stations, there are an additional six air stations where the operation could also be installed.

The Navy is also contemplating placing more items of common usage under the Naval Stock Fund as it simplifies the budgeting and accounting for such material. In addition to this, the Navy Management Fund is expected to be utilized more profitably in the next few years.

Present Functions: The present functions of the Comptroller of the

---

<sup>1</sup> Hearings before the Preparedness Subcommittee No. 3, of the Committee on Armed Services, U. S. Senate, 83rd Congress, First Session, U. S. Government Printing Office, Washington, D. C., 1954, p. 79.



Navy as described in the Organizational Manual of the Navy dated 1 April 1951 are as follows:

Subject to the authority of the Secretary, the Comptroller is directly responsible for budgeting, accounting, progress and statistical reporting, internal audit, and for administrative organization structure and managerial procedures relating to such responsibilities within the Department of the Navy, and for coordination and correlation of matters under his cognizance with the Comptrollers of the Department of Defense, Army and Air Force, and other departments and agencies of the Government.

Present Organization: The Office of Comptroller of the Navy has the following organizations:

Comptroller

Deputy Comptroller

Policy Committees

Special Assistants

Assistant Comptroller, Director of Budgets and Reports

Assistant Comptroller, Accounting, Audit and Finance

Although the Navy was the first military department to have a Performance Budget, at the present time it has less of a Performance Budget than the Air Force.

Ever since its founding, the Navy has believed in a bilineal organization structure which permits decentralized delegation of authority and responsibility. With such an organization in existence and apparently there is no contemplation of a change, it is doubted that the Navy can ever adopt the kind of performance budget envisioned by Title IV. Commendable progress has been made in the last several years in bringing together the plans and





programs of the military planning group of the Staff of the Chief of Naval Operations with the Budget programs of the various bureaus. It is my opinion that the organization of the Navy lends itself to the use of the Industrial fund, stock fund and the management fund. This is undoubtedly the main reason that the Comptroller of the Navy Department has pursued these operations so diligently because it represents the solution to the Navy's problem of complying with the intent of Title IV of Public Law 216.

Although the Navy's position, in regard to those provisions of Title IV which it has adopted, is better than the other military departments because of its fund operations and its accounting system, it seems appropriate for the Navy to take a serious look at some of its shortcomings.

Each of the bureaus in the Navy Department has its own interpretation of the laws and regulations to which it is expected to adhere in carrying out its financial management responsibilities. As a result, we have dissimilar operations in cost accounting and obligation accounting among numerous activities. The reconciliation procedure in connection with accounting for Naval Stock Account Material and Appropriations Account Material is unwieldy and expensive. Little effort has been expended by the Navy to investigate the possibilities of the accrual accounting system. This last mentioned item cannot be considered a "shortcoming" in the strict sense of the word, but indicates a self-satisfied outlook toward an accounting system in which its expenditure account classifications has not been fully integrated with the budget structure.

Even though the Marine Corps does not have a comptroller as such, it





does have a Fiscal Director who performs the comptroller's functions. The Marine Corps was the last member of the Navy family to get on the comptroller "bandwagon", but in fairness to the Marine Corps, the progress it has accomplished in the last few years has been outstanding. General Shoup (Marine Corps Fiscal Director), in his appearance before the Navy Comptroller Graduate Class, expressed the official Marine Corps position when he stated that the Marine Corps had not adopted some of the titles suggested by Title IV, but had been performing most of the functions for a good number of years.

By the adoption of the use of the Marine Corps Stock Fund, several million dollars have already been saved, and as a result, Congress has applauded the Marine Corps for adopting the stock fund system. One of the stock fund's most serious opponents has now become one of its most ardent supporters. As a matter of fact, Secretary of the Navy Thomas stated that he considered one of the significant accomplishments under the Comptroller operations occurred on 1 July 1953, when the Marine Corps commenced operations under a revolving stock fund whereby common use items were financed on the basis of issue rather than initial procurement.

It appears to be a trait of human nature to criticize rather than to commend, and although I am a strong adherent of the Navy's overall approach to the implementation of Title IV, not everyone who has studied its operation is as enthusiastic as I in supporting it. One of the most critical comments made by outside experts reviewing the Navy's accounting operation had this to say in the report to Secretary Wilson:

Although some progress has been accomplished through the use of working capital funds in specialized areas, the primary considera-





tion should be improved financial management and the recognition of the need for adequate financial-inventory accounting and industrial or commercial-type accounting, where appropriate. Similarly, management funds should be utilized where that device will result in better accounting and management for joint efforts. However, the use of a revolving fund as a device in lieu of an integrated accounting system, or to overcome organizational complexities or because of the unwillingness otherwise to delegate authority commensurate with assignments of responsibility is highly questionable and under these circumstances the situation can best be remedied by attacking the basic problems involved.<sup>1</sup>

---

<sup>1</sup>Advisory Committee on Fiscal Organization and Management, Report to the Secretary of Defense, dated 1 October 1954, p. 33 (Cooper Committee).



## CHAPTER VI

### CONCLUSION

Before an evaluation of the accomplishments of the Defense Department and the three military establishments can be made regarding the progress of implementing Title IV, one must have an understanding of the size and magnitude of its operations. This can best be done by comparing the military establishment to our largest industrial concern in the United States today. The income of General Motors for the calendar year 1955, amounted to approximately thirteen billion dollars, whereas the military departments will spend three times this amount during a comparable period. Such a giant as General Motors is made to look small when placed alongside the size of the military establishment.

Significant accomplishments by all departments have been made in performance budgeting, property accounting, obligation and appropriation accounting and industrial fund operations. The Army should be congratulated on the progress it has made in centralizing the Comptroller's responsibilities in its field activities and at headquarters, along with its progress in establishing consumable property and capital property accounting. The Air Force's most significant achievements are the establishment of its accrual accounting system and its eagerness to encompass its operations under a performance or consumer type budget. The Navy has made considerable progress in streamlining its stock fund operations and its obligation and fiscal accounting procedures. All of the departments have succeeded in establishing comptrollers in their field organizations at the levels desired by them. By





now the field commands have been pretty well oriented into the Comptroller philosophy of providing a financial expert on the staff of the field commanders who can recommend sound financial advice regarding station operations, budgeting and accounting.

Despite the fact that considerable progress has been made, great strides will be required in the next few years and the entire program of comptrollership will have to be expedited if the Congress of the United States is to be satisfied.

In the preceding chapters, reference has been made to the Hoover Commission reports, the Cooper Committee reports, the Flander's Committee reports, as well as various publications issued by all three of the military departments. There are certain recommendations that were almost unanimously recommended by outside agencies which have made surveys and studies of the comptrollership functions of the military departments, in order to assist the Congress and the Secretary of Defense in evaluating the role of the Comptroller in the Department of Defense. The more important of these recommendations are enumerated below for your consideration:

Recommendation (1): The Comptroller of each military department should be a civilian with the proper technical background, with broad financial experience who should report directly to the Secretary of the Army, Navy or Air Force, whichever the case may be. The Deputy Comptroller can be either a civilian or military depending on the desires of the particular service in question. However, if a military career officer is chosen as a Deputy Comptroller, he should be selected on the basis of his background and experience rather than



on the basis of his rank.

Recommendation (2): Continued efforts to strengthen the performance budget should be vigorously applied by the three services. In this connection it is believed that the appropriations structure of the military departments should be realigned so that appropriations can fit into five significant categories.

These five broad categories are as follows:

1. Military personnel (pay and allowance)
2. Maintenance and Operations
3. Procurement and Production
4. Research and Developments
5. Construction

Each appropriation should then fall entirely within one of these five categories and this would lend more strength to the performance budget. This means that the Navy would require a greater number of changes than the other departments.<sup>1</sup>

Recommendation (3): Strong efforts should be undertaken by all the military departments to re-evaluate its civilian and military personnel in order to locate and assign persons with the proper technical background and experience to comptroller type operations. This applies to the field as well as headquarters.

---

<sup>1</sup>Report of Advisory Committee on Fiscal Organization and Procedures Within the Department of Defense, dated 1 October 1945, p. 12, (Cooper Committee).





Recommendation (4): The Army and the Navy should make a comprehensive study of the Air Force accrual accounting system and consider its adaptability to their respective operations.

Recommendation (5): The Air Force should consider installing the industrial fund operations in those activities at which this kind of operation would be beneficial and economical.

Recommendation (6): The Army should continue its program of inventorying, identifying and pricing all common use stocks and placing them in the Army stock fund in a manner similar to that of the Navy stock fund.

Most of the material read and studied prior to the preparation of this term paper has been official publications of the military departments as well as congressional hearings and reports rendered by civilian experts assigned to make particular studies within the Defense Department. In addition, I have visited with a number of persons within the military departments and, as a result, have secured their opinions and thoughts but have expressed these ideas in my own words, and they are not to be construed as the "official" position of any service.

I am extremely grateful to those personnel of the Comptroller's offices, Secretary of Defense, Navy, Air Force and Army, who have been so generous and patient in their dealings with me. Without their help, this paper could not have been prepared.



## BIBLIOGRAPHY

### Books

Bradshaw, Thornton F., and Hall, Charles C. Comptrollership in Modern Management. Chicago: Richard D. Irwin, Inc., 1950.

Jackson, S. Hugh, The Comptroller, His Functions and Organization. Cambridge, Massachusetts: Harvard University Press, 1949.

Mosher, Frederick C., Program Budgeting: Theory and Practice. New York, N. Y.: American Book - Stratford Press, 1954.

### Public Documents

Department of the Army. The Comptroller's Guide, Army Pamphlet No. 35-10, Washington, D. C., 11 July 1955.

Department of the Air Force. Deputy Chief of Staff - Comptroller, Washington, D. C., no publication date.

Department of the Air Force. A Financial Control Plan for the U. S. Air Force, Washington, D. C., 7 November 1953.

U. S. Congress, House of Representatives. Subcommittee of the Committee on Appropriations. Department of Defense Appropriations for 1956. Hearings before the Subcommittee of the Committee on Appropriations, House of Representatives, 84th Congress, 1st Session, Washington, D. C., Government Printing Office, 1955.

U. S. Congress, Senate. Preparedness Subcommittee No. 3 of the Committee on Armed Services. Implementation of Title IV, National Security Act of 1947, As Amended. Hearings before the Preparedness Subcommittee No. 3 of the Committee on Armed Services, U. S. Senate, 83rd Congress, 1st Session, Washington, D. C. Government Printing Office, 1954.

### Reports

The Commission on the Organization of the Executive Branch of the Government. Budget and Accounting. A report to the Congress by the Commission on Organization of the Executive Branch of the Government, Washington, D. C., Government Printing Office, 1949.





The Commission on the Organization of the Executive Branch of the Government. Budget and Accounting. A report to the Congress by the Commission on Organization of the Executive Branch of the Government, Washington, D. C., Government Printing Office, June 1955.

Unpublished Material

Bordner, H. W., Recommended Basic Premises and Technical Features of System of Financial Management in the Department of Defense, Washington, D. C., 16 November 1953.

Report of Advisory Committee on Fiscal Organization and Procedures in the Department of Defense. Letter report signed by all members of the Committee to Honorable Charles E. Wilson, Secretary of Defense, Washington, D. C., 1 October 1954.

Wilson, C. E., Secretary of Defense. Letter to Honorable Rowland R. Hughes, Director, Bureau of the Budget, 21 October 1955. Letter transmitting the views of the Department of Defense on the second Hoover Commission Report on Budget and Accounting.

